

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1142 - HB 926

February 13, 2014

**SUMMARY OF ORIGINAL BILL:** Amends the *Utilization Review Act* (URA) by requiring that any restriction, preauthorization, adverse determination or final adverse determination made by a utilization review agent be based upon medical necessity or the appropriateness of the health care services. Requires an independently developed evidence-based standard exist for any health care item, treatment, test, or imaging procedure before an agent denies health insurance coverage for any such health item, treatment, test, or imaging procedure. Requires agents to apply certain written clinical criteria in a consistent manner when conducting reviews. Further requires agents to consult practicing physicians prior to establishing, or substantially or materially altering, such criteria. Requires that written clinical criteria and preauthorization statistics regarding preauthorization approvals and denials be provided on the agent's respective website. Requires a 60-day notice be provided prior to the implementation of a new preauthorization requirement or restriction, or an amendment to an existing preauthorization requirement or restriction.

**CORRECTED FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures - \$3,828,000/FY13-14  
\$7,656,000/FY14-15 and Subsequent Years

Increase Federal Expenditures - \$2,835,700/FY13-14  
\$5,671,300/FY14-15 and Subsequent Years

Increase Local Expenditures - \$131,300/FY13-14/Permissive  
\$262,500/FY14-15 and Subsequent Years/Permissive

Other Fiscal Impact – According to Divisions of Benefits Administration, the increases in local expenditures will result in increased premiums for the enrollees in the local government plan because the state takes no share of such plan.

**SUMMARY OF AMENDMENT (012467):** Removes language in original bill requiring agents to consult practicing physicians prior to establishing, or substantially or materially altering, evidence-based criteria. Alters or removes the following definitions: authorization, preauthorization, clinical criteria, and medically necessary health care services. States that the provisions of this bill will not apply to any TennCare Dental Benefits Management Program. Creates exceptions to the standards required of licensed review agents if

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an applicant holds accreditation from the Utilization Review Accreditation Commission (URAC) or the National Committee for Quality Assurance (NCQA).

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

### **NOT SIGNIFICANT**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 56-6-705 (b), NCQC and URAC accredited health care plans are exempt from the provisions of this bill. According to the Department of Finance and Administration's Division of Benefits Administration, its third party administrator (TPA) contracts currently require TPAs to maintain NCQA accreditation; therefore, the provisions of this bill do not apply to plans administered by the Division.
- There will be no significant fiscal impact to state or local government.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Other Impact on Commerce – Due to a number of unknown factors, an exact impact on commerce cannot be reasonably quantified. It is reasonably estimated that any impact will not be immediate after the implementation of the bill. Any immediate impact to commerce in the state is estimated to be not significant. The long term commerce impact cannot be quantified.**

Assumptions for the bill as amended:

- Insurance providers could experience an increase in the number of payable claims from policy holders or an increase in the amount paid per claim. Insurance providers will, therefore, experience an increase in expenditures due to claim payouts; however, this amount is not determinable.
- If insurance expenditures increase, it is reasonably assumed that the increased costs will be passed on to the consumer, whether the plan is individually purchased or purchased by a company for its employees. Therefore, any increase in claim payouts is estimated to result in an increase in premiums or copayments by individuals and businesses.
- An exact amount of increased premium or copayment costs cannot be reasonably determined due to a number of unknown factors. These factors include: the number of plans that will be affected; the type of plans affected and their current premium and copayment structure; and the number of individuals and companies that are currently participating in the impacted insurance plans. It is reasonably estimated that any increase in a premiums and copayments will not be significant.

- An exact impact on commerce in the state cannot be reasonably quantified. While it is estimated that individual premiums and copayments will not be significantly increased, depending on the rate and payment structure provided by employers, increased cumulative premiums for the plan as a whole could result in a significant increase to the payouts by the employer. If the increase is large enough to significantly affect a company's profit margin, there could be impacts to jobs, salaries, or the premium sharing by the company.
- According to the Department of Commerce and Insurance, there will be no significant impact to commerce or jobs in this state.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb